

# Black Earth Farming Ltd

## Interim report

### 1 January–31 March 2009



## Highlights for the three months reporting period

- **Total revenue and gains** from continuing operations rose 87.5% to RUR 468,366 thousand (USD\* 13,770 thousand) compared with RUR 249,791 thousand (USD\* 7,344 thousand) same period previous year. Gain on revaluation of biological assets and agricultural produce only constituted 0.5% of total revenue and gains in the period, compared to 13% in the same period previous year.
- **Profit before income tax from continuing operations** was RUR 63,894 thousand (USD\* 1,878 thousand) compared with RUR 100,213 thousand (USD\* 2,946 thousand) same period previous year.
- **Profit from continuing operations for the period** was RUR 60,957 thousand (USD\* 1,792 thousand) compared with RUR 95,174 thousand (USD\* 2,798 thousand) same period previous year.
- **Profit for the period including discontinued operations** was RUR 1,831 thousand (USD\* 54 thousand) compared with RUR 93,463 thousand (USD\* 2,748 thousand) same period previous year.
- **Basic earnings per share from continuing and discontinued operations** was RUR 0.01 (USD\* 0.00) compared with RUR 0.76 (USD\* 0.02) same period previous year.
- **Net cash from operating activities** RUR -342,530 thousand (USD\* -10,070 thousand) compared with RUR -360,264 thousand (USD\* -10,592 thousand) same period previous year
- In February, the shares of Black Earth Farming Ltd. ("Black Earth Farming" or the "Company") were upgraded to trade on First North Premier, a new segment within First North reserved for companies that comply with higher disclosure and accounting standards than the regular First North.
- The production plan for 2009 has been adjusted.

## Significant events after the end of the reporting period

- On 14 April 2009 the Group signed the contract for the sale of two of its subsidiaries – ZAO "Agro-Invest Kaluga" and OOO "Rus". ZAO "Agro-Invest Kaluga" was inoperative company in contrast to OOO "Rus" whose main activity was unprofitable cattle-breeding. The price stated in the contract is RUR 10 thousand (USD\* 294).
- The Company has in April/beginning of May actively been selling inventory at an average rate of approximately 30 thousand tons per week, due to the recovery in prices from March and aim to have freed up currently occupied and retained storage capacity for the 2009 harvest.

As a consequence of the divestment of the entities ZAO "Agro-Invest Kaluga" OOO "Rus", they are presented as a discontinued operation in this interim report and comparative information has been adjusted accordingly.

*\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (c).*

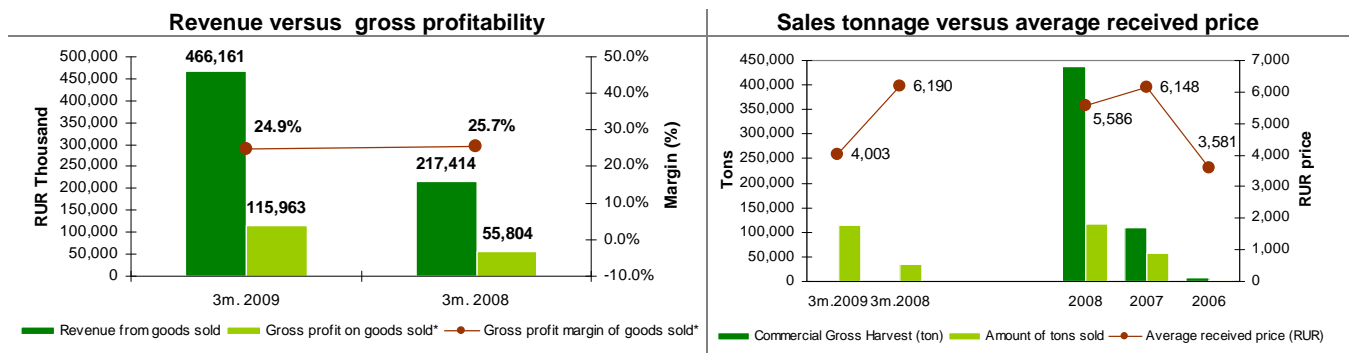
# Reporting period in figures

Result <i>In thousands of</i>	RUR	RUR	Year-on-year
	3 m. 2009	3 m. 2008	change
Revenue	466,161	217,414	114%
Total revenue and gains	468,366	249,791	88%
Gross profit <sup>1</sup>	115,963	55,804	34%
<i>Gross margin</i> <sup>2</sup>	24.9%	25.7%	-3%
Operating loss	(173,757)	(88,623)	96%
<i>Operating margin</i>	Neg.	Neg.	n/a
Profit for the period from continuing operations	60,957	95,174	-36%
Loss for the period from discontinued operations	(59,126)	(1,711)	3356%
Profit for the period	1,831	93,463	-98%
<i>Net margin in continuing operations</i>	13.0%	38.1%	-66%

Result <i>In thousands of</i>	USD*	USD*	Year-on-year
	3 m. 2009	3 m. 2008	change
Revenue	13,705	6,392	114%
Total revenue and gains	13,770	7,344	88%
Gross profit <sup>1</sup>	3,409	1,641	34%
<i>Gross margin</i> <sup>2</sup>	24.9%	25.7%	-3%
Operating income loss	(5,108)	(2,606)	96%
<i>Operating margin</i>	Neg.	Neg.	n/a
Profit for the period from continuing operations	1,792	2,798	-36%
Loss for the period from discontinued operations	(1,738)	(50)	3376%
Profit for the period	54	2,748	-98%
<i>Net margin in continuing operations</i>	13.0%	38.1%	-66%

<sup>1</sup> Gross profit excluding Gain on revaluation of biological assets and agricultural produce

<sup>2</sup> Gross profit margin on sold goods and services excluding gain on revaluation of biological assets and agricultural produce



\*Excluding Gain on revaluation of biological assets and agricultural produce

Production & sales	3 m. 2009	3 m. 2008	2008	2007	2006
<b>Harvested area (ha)</b>	n/a	n/a	141,933	53,451	5,900
Year-on-year change	-	-	165.5%	805.9%	-
<b>Commercial Gross Harvest (ton)</b>	n/a	n/a	437,127	109,724	8,294
Year-on-year change	-	-	298.4%	1222.9%	-
<b>Amount of tons sold</b>	113,908	34,257	117,066	58,274	2,894
Year-on-year change	232.5%	-	100.9%	801.2%	-
<b>Average received price (RUR)</b>	4,003	6,190	5,586	6,148	3,581
Year-on-year change	-35.3%	-	-9.1%	71.7%	-

Land holdings (hectares)	31-Mar-09	31-Mar-08	31-Dec-08	31-Dec-07	31-Dec-06
Land in the process of ownership registration with the relevant authorities	204	251	214	247	115
Land in registered ownership	106	69	95	29	7
Land under long-term lease agreements	11	5	8	13	7
<b>Total amount of controlled land</b>	321	325	317	289	129

Personnel	3 m. 2009	3 m. 2008	2008	2007	2006
Full-time employees at the end of the period	1,971	1,911	1,942	1,180	50
Average number of employees during the period	1,873	1,934	2,095	799	37

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## CEO'S COMMENTS

Black Earth Farming will be one of the few large Russian players that will increase the production surface for 2009. The Company's production plan has been somewhat adjusted given weather conditions, market expectations and business combinations. It currently stands at a total of 181,053 hectares to be planted and harvested in 2009 with expected gross output around 688,445 tonnes, of which 632,229 tons is commercial for sales and the rest for internal use. The main difference from the last reported production plan in the Annual Report 2008 stems from less forage crops for internal use to be planted. Roughly 95,000 hectares of winter crops were already seeded in 2008 and planting of spring crops is about to be finished.

The Company has been selling large volumes of its crop inventory during the first three months of 2009, about 232.5% more tons than in the same period in 2008. However, average price received for sales of crops was 35% lower for the period compared to previous year. The mix of crops sold in the period was slightly different than in 2008 but the overwhelming majority was wheat and barley in both periods. Revenue consequently increased about 114% in three months 2009 compared to 2008. Prices started rising in April and the Company has actively been selling inventory since.

BEF is still well capitalised, managing cash and cash equivalents in the amount USD 132 million as of 31 March 2009.

The Company still focuses on ownership registration of already controlled land and further progress has been achieved in this area. As of 31 March 2009 the Company owned 106 thousand hectares out of a total of 321 thousand hectares. The Company is optimistic that it will have a majority of its land, which is not long term leased, in registered ownership by or around the end of 2009.

The Company is currently embarking on its program to construct more internal storage-, drying-, and cleaning capacity. Total effective elevator capacity amounted to 80,000 tons by year end 2008, with an additional 82,000 tons of simpler on-farm storage capacity. The target is to have internal storage capacity by the end of year 2009, corresponding to about half of 2009 expected total output.

On behalf of the Board

Sture Gustavsson  
CEO and President  
Black Earth Farming Ltd

26 May 2009

# The Market

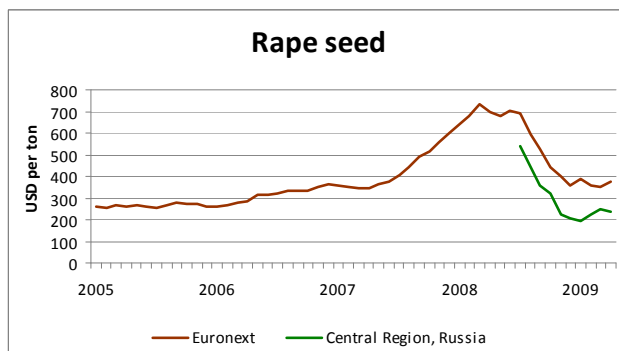
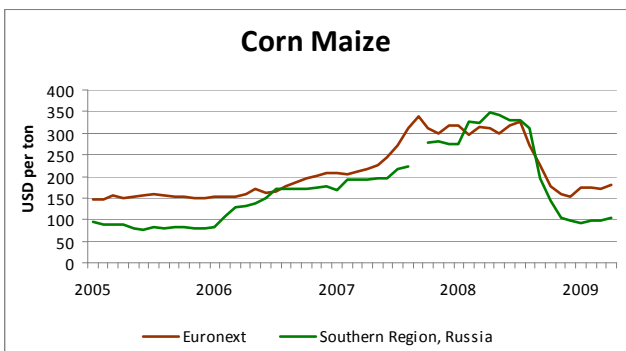
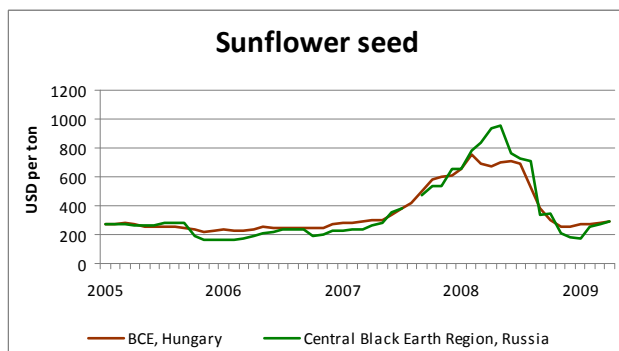
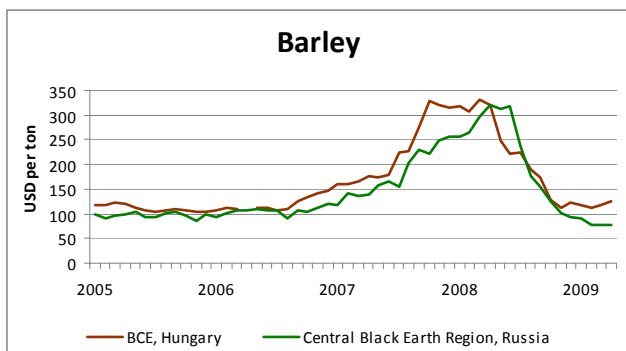
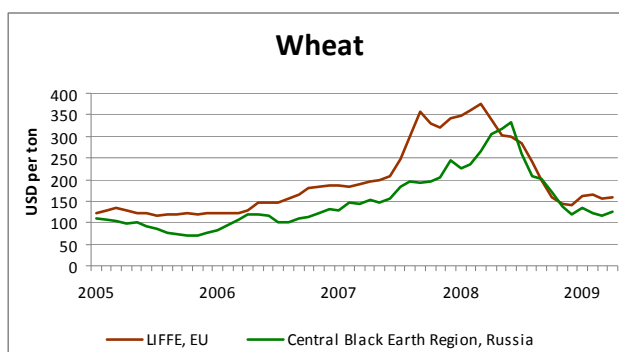
Soft commodities have remained weak during the beginning of 2009. After a short rise in January and February prices fell back in March before starting to rise again in April, however, wheat prices were still down 46 percent year-on-year in mid April 2009 and barley prices were actually below 2005-2006 levels. The Russian Agricultural ministry stated in April that they forecast the 2009 grain harvest to be approximately 85 to 90 million tons, a 20 percent decline from 2008. The final global wheat area for the 2009 harvest is still uncertain and will depend on major crops still to be planted in Canada, Argentina and Australia. Yet global areas for grain cultivation will likely decline in 2009, as actual data of winter planting in the US and UK among other showed declines. In addition, global productivity will likely be lower as farmers scale back their use of fertilizers and plant protection due to weaker grain prices. Fertilizer companies reported large declines in sales in Q4 2008, at the time stating that this will likely pick up in Q1 2009, something which has not happened to any significant degree. China previously had a 110 percent export tariff on UREA, the most widely used Nitrogen fertilizer, essentially banning export. Since the tariff was taken down to 10% no significant exports occurred, further confirming the low current demand for fertilizer and that less will be used for 2009 harvest.

Droughts have affected several countries, including Argentina and Ukraine, with lost crops and diminished yields as a consequence. Lately southern Russia has also been affected.

In China, 43 percent of the country's crops of winter wheat have reportedly been negatively affected by drought, however the exact norm is unknown and therefore also the exact deviation from previous years.

The demand picture remains vague as the effects on demand for agricultural products from the global economic downturn are still unclear. In general, demand for food staples is less elastic than most other goods. In short, grain prices remain soft — but the catalysts for price appreciation, both in the short and long term, are still present.

Despite some specific domestic price influences from intervention buying, lack of storage capacity etc, the correlation between Russian domestic and international prices remain high (See Diagrams).



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# Financial performance

## Revenue

For the three months ended 31 March 2009 revenue from sales of goods and services from continuing operations increased significantly in comparison with the same period 2008, and amounted to RUR 466,161 thousand (USD\* 13,705 thousand) up from RUR 217,414 thousand or USD 6,392 thousand for three months in 2008. Sales can be divided into three main categories, Revenue from sales of crop production, sales of milk and meat and sales of other goods and services, with sales of crops constituting 98% of revenue.

Revenue from realisation of goods and services from continuing operations	RUR thousand Jan-Mar 2009	RUR thousand Jan-Mar 2008	USD* thousand Jan-Mar 2009	USD* thousand Jan-Mar 2008
Revenues from sales of crop production	455,919	212,077	13,403	6,235
Revenue from sales of milk and meat	5,840	5,812	172	171
Revenues from sales of other goods and services	5,534	445	163	13
Revenue from discontinued operations	(1,132)	(920)	(33)	(27)
<b>Total</b>	<b>466,161</b>	<b>217,414</b>	<b>13,705</b>	<b>6,392</b>

As a result of the increased output from the 2008 harvest compared to the 2007 harvest, the Company sold 113,908 tons during three months 2009, which is 233% more than the 34,257 tons sold during three months 2008. The rest of the 2008 harvest still unsold, about 222,757 tons, is held in storage. At 31 December 2008 335,600 tons for sale were held in storage, also 1,065 tons of crops that as of 31 December 2008 were kept as seeds for internal use and not included in the figure of 335,600 tons for sale have instead been sold during three months 2009.

Everything is sold domestically in RUR. The average RUR crop price received in three months 2009 was 35.3% lower than the average received price in three months 2008. USD prices below are recalculated using RUR to USD at the closing exchange rate at 31 March 2009. The average received dollar price for three months 2008 using the the prevailing RUR to USD rate at that time would have been 263 USD/ton, resulting in an average USD price decrease of over 55% year-on-year. The majority of sold crops was wheat and barley in both three month periods.

Sales of crops Jan-Mar 2009	From 2008 harvest		From 2009 harvest		Total		Average price received 3m. 2009 (RUR/ton)	Average price received 3m. 2008 (RUR/ton)
	RUR thousand	Tons	RUR thousand	Tons	RUR thousand	Tons		
Wheat	153,327	43,565	-	-	153,327	43,565	3519	5,772
Spring barley	109,055	44,540	-	-	109,055	44,540	2448	7,182
Winter rape seed	-	-	-	-	-	-	-	-
Spring rape seed	818	100	-	-	818	100	8180	-
Sunflowers	171,219	19,574	-	-	171,219	19,574	8747	-
Corn	20,044	5,334	-	-	20,044	5,334	3758	-
Winter Barley	-	-	-	-	-	-	-	-
Waste grains	1,456	795	-	-	1,456	795	1831	2,761
Rye	-	-	-	-	-	-	-	5,228
<b>Total</b>	<b>455,919</b>	<b>113,908</b>	-	-	<b>455,919</b>	<b>113,908</b>	<b>4003</b>	<b>6,191</b>

Sales of crops Jan-Mar 2009	From 2008 harvest		From 2009 harvest		Total		Average price received 3m. 2009 (USD/ton)	Average price received 3m. 2008 (USD/ton)
	USD* thousand	Tons	USD* thousand	Tons	USD* thousand	Tons		
Wheat	4,508	43,565	-	-	4,508	43,565	103	170
Spring barley	3,206	44,540	-	-	3,206	44,540	72	211
Winter rape seed	-	-	-	-	-	-	-	-
Spring rape seed	24	100	-	-	24	100	240	-
Sunflowers	5,033	19,574	-	-	5,033	19,574	257	-
Corn	589	5,334	-	-	589	5,334	110	-
Winter Barley	-	-	-	-	-	-	-	-
Waste grains	43	795	-	-	43	795	54	81
Rye	-	-	-	-	-	-	-	154
<b>Total</b>	<b>13,403</b>	<b>113,908</b>	-	-	<b>13,403</b>	<b>113,908</b>	<b>118</b>	<b>182</b>

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## Financial performance

### Gain on revaluation (inventory)

As of 31 March 2009 the Company had about 222,757 tons of clean weight of harvested crops held in storage and recorded in inventory as finished product. This is 214,555 tons more than the same period in 2008.

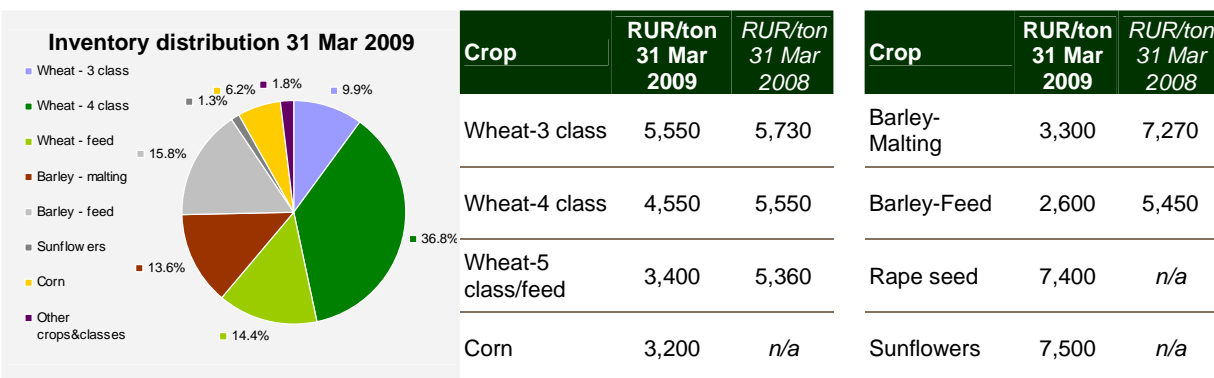
Finished product/crops in inventory	31-Mar-09	31-Mar-08	31-Dec-08	31-Dec-07	31-Dec-06
Tons	222,757	8,202	335,600	42,459	1,828

Gain on revaluation of biological assets and agricultural produce for the period amounted to RUR 2,205 thousand (USD\* 65 thousand) compared with RUR 32,377 thousand (USD\* 952 thousand) same period previous year. Gain on revaluation of biological assets and agricultural produce only constituted 0.5% of net turnover in the period, compared to 13% in the same period last year.

The revaluation of the biological assets and agricultural produce is done in accordance with the requirements of IAS 41 which states that a biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs. In accordance with the standard, gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs shall be included in the profit or loss for the period in which it arises. See the annual report 2008 Note 7 for more in depth description of Gain on revaluation of biological assets and agricultural produce calculation and other accounting principles.

When calculating gain on revaluation of crop in inventory - market prices as of the reporting date are used for the different crops and crop classes. The Company use reports from the Chamber of Commerce and Industry for the market price of agricultural produce less estimated point-of-sale costs.

Below are the prices used for valuing the inventory of the most important crops as of 31 March 2009 compared to 31 March 2008, also showed below is the crop inventory composition as of 31 March 2009.



The value of remaining finished goods in inventory as per 31 March 2009 amounted to RUR 833,185 thousand (USD\* 24,495 thousand) using prevailing market prices as of 31 March 2009.

Inventories <i>In thousand of</i>	RUR	RUR	USD*	USD*
	31-Mar-09	31-Dec-08	31-Mar-09	31-Dec-08
Finished goods	833,185	1,175,896	24,495	34,571
Raw materials and consumables	502,736	320,577	14,781	9,425
Biological assets	796,702	688,558	23,423	20,244
<b>Total</b>	<b>2,132,623</b>	<b>2,185,031</b>	<b>62,699</b>	<b>64,240</b>

# Financial performance

## Costs

Cost of sales for continuing operations for the three months ended 31 March 2009 amounted to RUR 350,198 thousand (USD\* 10,296 thousand) in contrast to RUR 161,610 thousand (USD\* 4,751 thousand) for the same period in 2008. Costs for materials as part of cost of sales increased substantially for the three months ended 31 March 2009 compared to the corresponding period in 2008 due to the much larger amounts of crops having been sold during the period, but still constituting about 45-50% of cost of sales as in 2008. Gross profit margin on sold goods and services excluding gain on revaluation of biological assets and agricultural produce decreased 3 percent between the three month periods ended 31 March 2009 and 2008, going from 25.7% to 24.9%. Given that the average price received for crops was about 35 percent lower in the three months ended 31 March 2009 compared to three months ended 31 March 2008, the relatively less reduced margin indicates a reduction in costs of sales per sold unit.

Distribution expenses increased significantly in the three months ended 31 March 2009 compared to the same period 2008. The increase in distribution expenses of approximately 2,100 percent is explained by the large increase in tons stored and handled compared to 2008. The amount of crops in storage at the end of 2008 was almost 700 percent larger than at the end of 2007 and as of the end of three months 2009 the amount of crops still held in storage was over 2,600 percent larger than the crops still held in storage as of the end of three months 2008. Higher market rates for external storage capacity in 2009 compared to previous year also had an impact.

General and administrative expenses for continuing operations for three months ended 31 March 2009 amounted to RUR 183,280 thousand (USD\* 5,388 thousand), in contrast to RUR 156,237 thousand (USD\* 4,594 thousand) for the same period in 2008. The increase in general and administrative expenses of 17.3 percent in the three months ended 31 March 2009 compared to 2008 is mainly driven by 83.1 percent higher personnel expenses, while consulting and audit as well as other service costs significantly decreased.

## Result

Operating loss from continuing operations amounted to RUR 173,757 thousand (USD\* 5,108 thousand) for the three months period ended 31 March 2009. The corresponding operating loss for the same period 2008 amounted to RUR 88,623 thousand or USD 2,606 thousand. The operating loss for the three months ended 31 March 2009 was positively influenced by higher gross profit than in 2008, this was however more than offset by much higher distribution expenses, taxes other than on income and other expenses as well as higher general and administrative expenses.

Net profit from continuing operations for the three month period ended 31 March 2009 amounted to RUR 60,957 thousand (USD\* 1,792 thousand), compared to a net profit of RUR 95,174 thousand or USD 2,798 thousand for the corresponding period in 2008. The lower net profit from continuing operations for the three month period ended 31 March 2009 compared to the same period in 2008 was mainly driven by lower operating profit as described above, while net financial items resulted in a positive contribution that were 25.9 percent higher than the positive contribution for the three month period ended 31 March 2008.

Loss for the period from discontinued operations for the three month period ended 31 March 2009 amounted to RUR 59,126 thousand (USD\* 1,738 thousand), compared to a net loss of RUR 1,711 thousand or USD 50 thousand for the corresponding period in 2008. The large difference is due to an impairment loss taken in three months 2009 which reflects the complete write-off of net assets pertaining to OOO "Rus" and ZAO "Kaluga Agro-invest", while in three months 2008 the loss only came from the entities' unprofitable operations.

Profit for the period including discontinued operations amounted to RUR 1,831 thousand (USD\* 54 thousand) compared to RUR 93,463 thousand (USD\* 2,748 thousand) in the previous year.

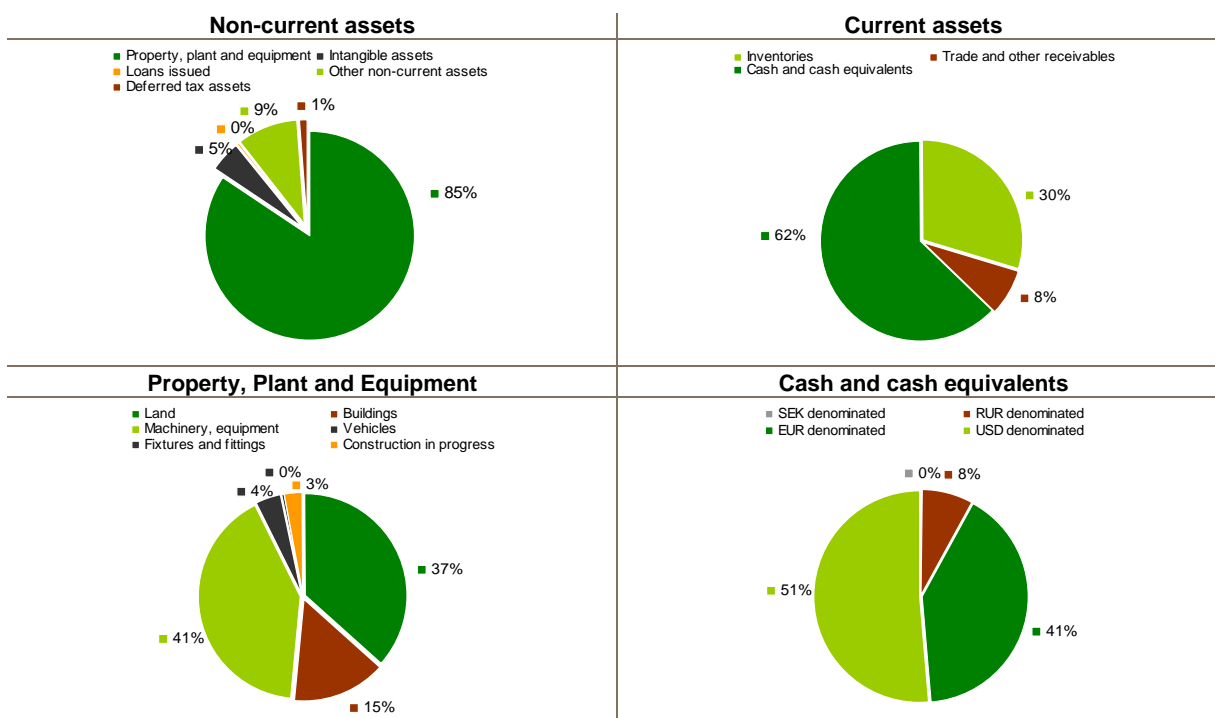
# Financial performance

## Assets and Investments

As of 31 March 2009 about 85% of the Company's non-current assets were made up of Property, Plant and equipment, which in turn is dominated by Land and Agricultural Machinery and Equipment. Owned Property plant and equipment is recorded at cost less accumulated depreciation and impairment losses (Costs for the fixed assets have generally been incurred locally in Russia in Roubles whereby it is the original Rouble value of the assets which creates the accounting foundation. See also Annual Report 2008 Note 2 for more in depth description of fixed asset treatment and recognition. Currents assets was as of 31 March 2009 firstly dominated by Cash and Cash equivalents and secondly by Inventory.

Given the Rouble depreciation and global financial turmoil the Company has actively monitored financial markets and managed its cash deposits in order to minimize foreign currency exposure and credit risk. The Company has placed surplus funds on deposit in different currencies with a variety of established banks. As of 31 March 2009 deposits in Rouble accounted for 8% of total Cash and Cash Equivalents. See annual report 2008 Note 30 for more in depth description of financial risks and management of the same.

Cash flows utilised by investing activities amounted to RUR 243,999 thousand (USD\* 7,174 thousand) for the three months period ended 31 March 2009, compared to RUR 793,487 thousand (USD\* 23,329 thousand) for the same period previous year. Investments was mainly directed at acquisition of property, plant and equipment (excluding land plots) and secondly Investment in land, which mainly constitutes registration towards ownership of already controlled land plots.



## Equity

Ratios	31-Mar-09	31-Mar-08	31-Dec-08	31-Dec-07	31-Dec-06
Equity ratio, percent	81%	82%	80%	81%	99%
Debt /Equity ratio, percent	21.0%	20.9%	19.3%	19.7%	n/a

Share data	RUR	RUR	USD*	USD*
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
Net asset value (Equity) thousands	10,088,681	10,790,730	296,608	317,249
Net asset value per Share	81.04	86.68	2.38	2.55
Basic profit/(loss) per Share	0.01	0.76	0.00	0.02

## Operational Performance

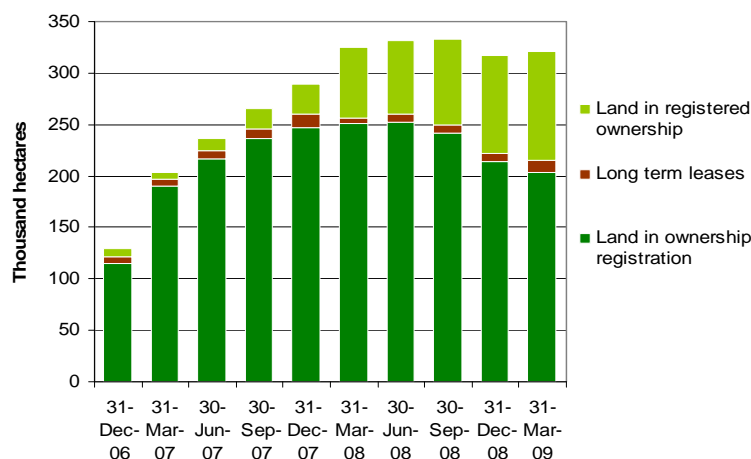
### Land

In line with the Company's current land acquisition strategy; the development of the Company's total land holdings has slowed down and the focus is on land title registration. The amount of land under control as of 31 March 2009 amounted to 321 thousand hectares which represents a increase of 1.3 percent compared to 31 December 2008 and a 1.2 percent decrease compared to 31 March 2008.

Consolidation and further improvement of the operational efficiencies in and around the existing farm blocks are the Company's key targets. Divestment of some less beneficial land assets as well as potential swaps of land with other external parties is a possibility in the strife to improve the overall quality and value of the Company's asset base, which may result in inter-quarterly figures showing a reduction in the total figure for land.

The amount of land in fully registered ownership as of 31 March 2009 amounted to 106 thousand hectares which represents a 11.6 percent increase from 31 December 2008 and a 53.6 percent increase from 31 March 2008. Land in long term registered lease also increased compared to 31 December 2008 and 31 March 2008. The Company is optimistic that ownership registration of a majority of its land will be completed by or around the end of 2009. The process of obtaining the ownership rights to agricultural land in Russia is however as previously described, complicated as well as time consuming and associated with certain risks. See risk section in Annual Report 2008 for a more comprehensive description of risk related to land acquisition and registration.

### Land holdings



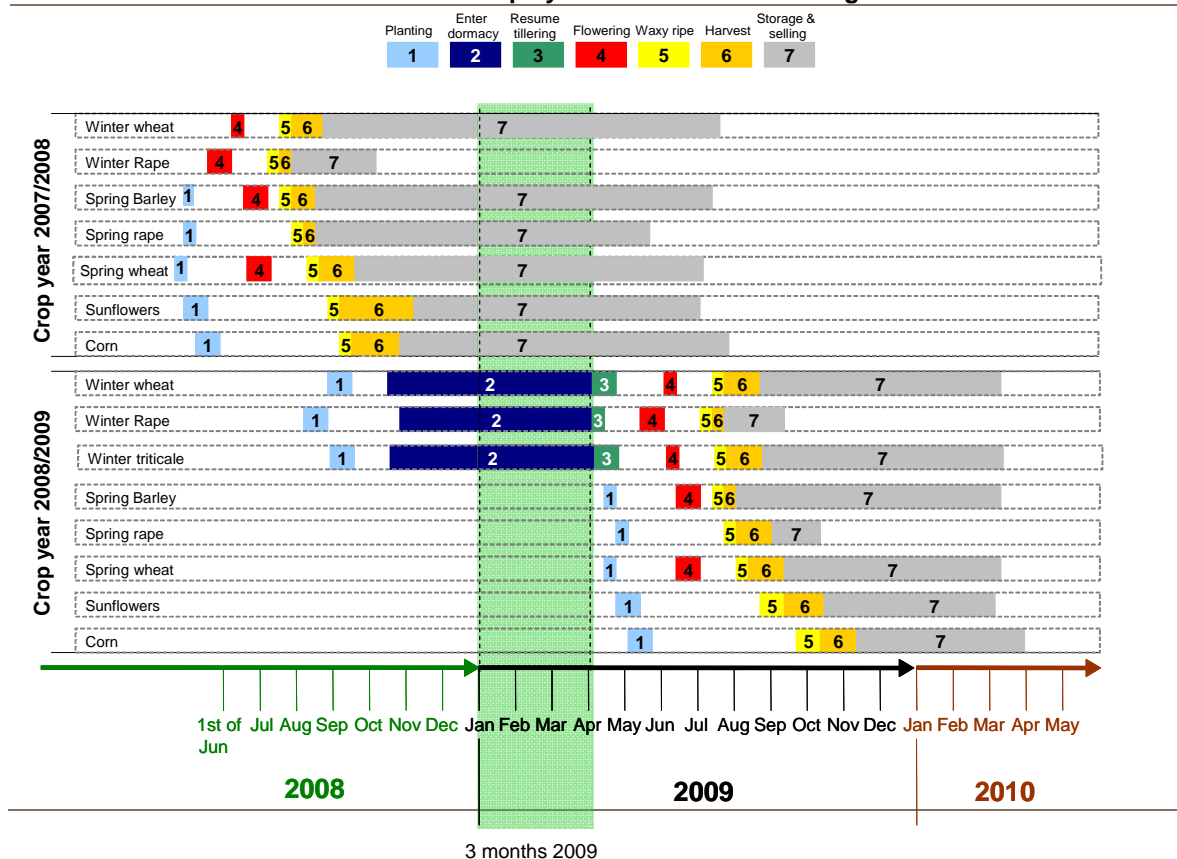
Land holdings (thousand hectares)	31-Dec-07	31-Mar-08	30-Jun-08	30-Sep-08	31-Dec-08	31-Mar-09
Land under control	289	325	331	333	317	321
Quarter-on-quarter change	8.6%	12.5%	1.8%	0.5%	-4.7%	1.2%
Land in registered ownership	29	69	71	83	95	106
Quarter-on-quarter change	45.5%	137.1%	2.9%	17.4%	14.0%	11.6%

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# Operational Performance

## Recent production activities

Schematic overview of active crop cycles and activities during three months 2009



In the first three months of 2009 the Company continued selling the crops harvested in 2008. Compared to 2008 and 2007, relatively larger proportions of harvested crops were held in inventory going into the quarter and at the end of the quarter, for basically all crops and classes. This is a consequence of the challenging market conditions in the second half of 2008 which postponed the selling of crops. As of 31 March 2009, following sales in the first three months of 2009 and in second half of 2008 - 188,515 tons, or 43% of the gross commercial harvest brought in during summer 2008 had been sold. 222,757 tons of clean weight of harvested crops is left to be sold from 2008 harvest as of 31 March 2009. Final commercial clean weight from a harvest is hard to establish until everything has been sold or used, since some weight reduction might occur over time during storage etc.

There had been no planting performed by 31 March 2009, the Company started its spring planting in the beginning/mid of April, depending a bit on region. This is generally 7-10 days later than in 2008 because the weather was very wet and cold until around April 1<sup>st</sup>, preventing start of planting. The late start has in many cases been somewhat offset by more efficient field work, meaning that while starting later the planting of some crops actually finished by the same time, or earlier than in 2008. Basically all the spring crops had been planted by mid May except for Corn, for which some fields were yet to be planted. All other things equal, because Corn planting started later this year the gross yield expectations for corn have been adjusted down compared to the latest communicated figures in the annual report 2008. Expected gross yield for triticale has also been adjusted down while the other crop yield expectations remain unchanged.

# Operational Performance

## Recent production activities

By mid May most of the Company's regions of operations had received rainfall to help complete germination, whereas Tambov and Ryazan had only received very little rain. Parts of Ukraine and Southern Russia have been rather severely affected by drought lately.

Some of the Company's winter rape was lost this year like last year. This was mainly due to late planting in the middle of August 2008 with no rain until September, which led to weak plants which could not withstand the diurnal temperature variations in March/April. The quantity was however significantly lower than in 2008.

The area with lost winter rape only amounted to about 118 hectares. The fields that lost winter rape have been replanted with spring rape. The Company focused on as cheap as possible winter rape planting last summer/autumn so the increased costs of sales for crops grown on the replanted area should be rather small.

Besides the spring rape planted where winter rape had been lost, some additional areas compared to the old plan have been seeded with spring rape. The Company has also seeded more hectares with sunflowers than in the last communicated plan, due to rather strong price situation for sunflowers. At the same time less area will be planted with forage crops for internal use.

In Kursk, Lipetsk and Voronezh the condition of the winter wheat is generally good. In Tambov 70% of winter wheat are in average to good condition but needs rain for good nitrogen efficiency, 30% look poor due to weeds, couch grass and attacks from mice during winter. The overall condition of the winter rape that survived is more spread, ranging from very good to poor, however it is still too early to revise yield estimates up or down..

Besides planting, other recent and current field works include spraying of weeds with selective herbicides in winter wheat, soon to follow is barley, application of fertilizers in all wheat and other winter crops. Cultivated but not planted fields will also soon be applied with herbicides before they will be cultivated again later in June.

Repairing of buildings and most important the construction of Hangers for grain storage is currently taking place. Combines are being controlled and spare parts ordered to be prepared for Harvest.

Due to the above mentioned adjustments to some planted areas and yield expectations the total targeted gross harvest has decreased 2.4% from 705,271 tons to 688,445 tons while the expectations for commercial gross harvest remains largely unchanged, only adjusted down 0.3% from 634,097 tons to 632,229 tons. The change in crop composition with more sunflower and rape seed and less forage crops will increase the monetary value of the harvest.

# Operational Performance

## Production plan

The total area harvested in 2008 was 141,933 hectares. The area planned to be planted and harvested in 2009 currently constitutes 181,053 hectares following the updated estimates. Actual gross harvest figures for 2008 season as well as gross yield targets for 2009 season are shown below. Gross figures are used since final amount of clean harvest is hard to establish until everything has been sold or used, since some weight reduction might occur during storage etc. Forward looking targets for yields represent normal year estimates and are subject to influence from external non-controllable factors such as weather conditions.

### Production expansion table

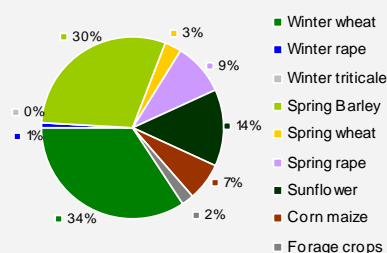
Planted area breakdown		Old		New		
(hectares)	2007	2008	2009E <sup>1</sup>	2009E <sup>1</sup>		
Winter wheat	16,805	48,636	85,113	84,700		
Winter rape	5,005	875	7,818	7,700		
Winter triticale	n/a	n/a	2,798	2,798		
<b>Total winter crops</b>	<b>21,810</b>	<b>49,511</b>	<b>95,729</b>	<b>95,198</b>		
Spring Barley	20,180	42,638	41,938	41,938		
Spring wheat	n/a	4,339	3,034	3,034		
Spring rape	7,035	13,149	6,434	7,375		
Sunflower	2,541	19,378	22,459	24,900		
Corn maize	1,215	9,950	6,833	6,833		
<b>Total spring crops</b>	<b>30,971</b>	<b>89,454</b>	<b>80,698</b>	<b>84,080</b>		
<b>Total commercial crops</b>	<b>52,781</b>	<b>138,965</b>	<b>176,427</b>	<b>179,278</b>		
Forage crops	670	2,968	4,063	1,775		
<b>Total planted area</b>	<b>53,451</b>	<b>141,933</b>	<b>180,490</b>	<b>181,053</b>		

Average Gross Crop Yield		Old		New		
(ton/hectar)	2007	2008	2009E <sup>1</sup>	2009E <sup>1</sup>		
Winter wheat	3.3	4.26	4.4	4.4		
Winter rape	1.3	1.76	2.0	2.0		
Winter triticale	n/a	n/a	4.9	4.5		
Spring barley	2	3.36	3.3	3.3		
Spring wheat	n/a	2.95	3.0	3.0		
Spring rape	0.9	1.43	1.8	1.8		
Sunflower	2.4	1.43	1.8	1.8		
Corn maize	5.5	2.62	4.5	3.8		

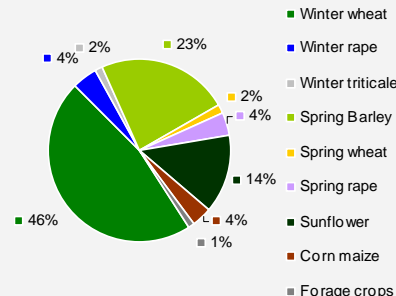
Gross harvest		Old		New		
(ton)	2007	2008	2009E <sup>1</sup>	2009E <sup>1</sup>		
Winter wheat	49,262	206,961	374,497	372,680		
Winter rape	0	1,536	15,636	15,400		
Winter triticale	n/a	n/a	13,710	12,591		
<b>Total winter crops</b>	<b>49,262</b>	<b>208,497</b>	<b>403,843</b>	<b>400,671</b>		
Spring barley	42,477	143,259	138,395	138,395		
Spring wheat	0	12,779	9,102	9,102		
Spring rape	12,859	18,761	11,581	13,275		
Sunflower	3,815	27,742	40,426	44,820		
Corn	1,311	26,088	30,749	25,965		
<b>Total spring crops</b>	<b>60,462</b>	<b>228,630</b>	<b>230,253</b>	<b>231,558</b>		
<b>Total commercial crops</b>	<b>109,724</b>	<b>437,127</b>	<b>634,097</b>	<b>632,229</b>		
Forage crops	2,659	22,928	71,175	56,217		
<b>Total output</b>	<b>112,383</b>	<b>460,056</b>	<b>705,271</b>	<b>688,445</b>		

<sup>1</sup>Latest Company estimates

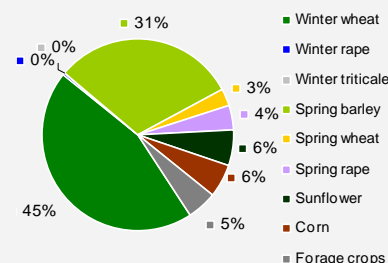
Breakdown of planted area 2008



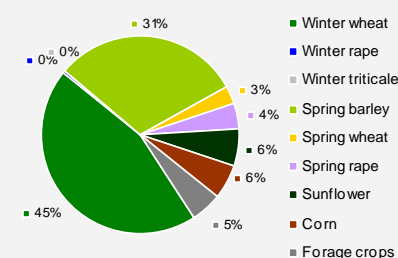
Breakdown of planted area 2009E



Breakdown of gross harvest 2008



Breakdown of gross harvest 2009E



# The Share

## Outstanding shares

As of 31 March 2009 the amount of outstanding shares was 124,521,667

### Compiled SDR information

Official listing:	First North Premier in Stockholm (SSEFN), part of OMX NASDAQ group
Form of listing:	Swedish Depository Receipt ("SDR")
Round lot:	1
Sector:	Agricultural Products
Exchange ISIN code:	SE0001882291
Short name:	BEF SDB
Reuters:	BEFsdb.ST
Bloomberg:	BEFSDB SS

## Shareholders

The total number of shareholders, as of 31 March 2009, amounted to about 9,800.

### Trade data for the period 1 Jan 2009 - 31 Mar 2009

Average Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
2,195,757	118,333	95

Source: NASDAQ OMX

### Top 5 shareholders per 31 March 2009

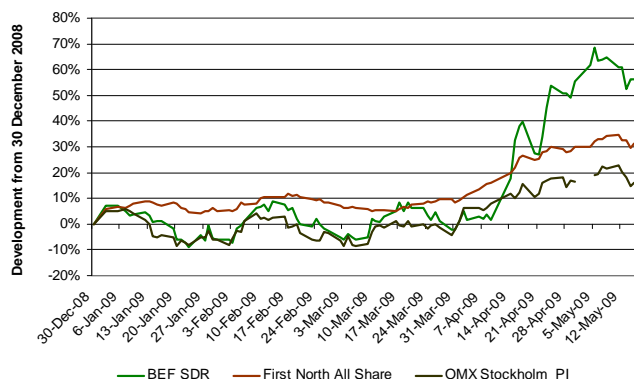
Owner	% of votes & capital
VOSTOK KOMI (CYPRUS) LTD <sup>1</sup>	24.8%
KINNEVIK NEW VENTURES AB	20.9%
ALECTA PENSIONS FÖRSÄKRING	8.0%
UBS AG LND IPB SEG CLIENT A <sup>2</sup>	4.1%
SIX SIS AG, W8IMY <sup>2</sup>	2.1%

Source: Euroclear Sweden share registry & shareholders' reference

<sup>1</sup> Subsidiary of Vostok Nafta Investment Ltd.

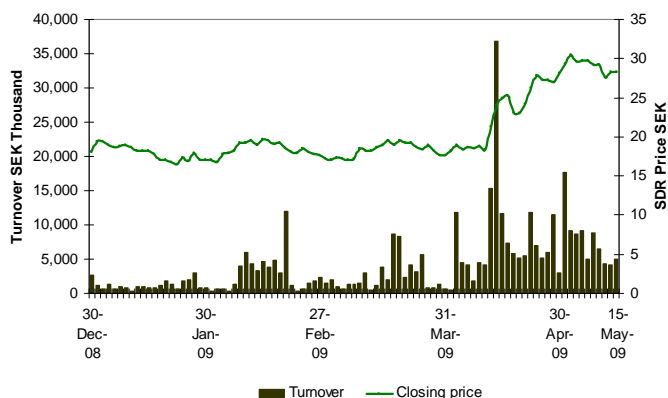
<sup>2</sup> In its capacity as nominee.

### Share Performance vs indexes



Source: NASDAQ OMX

### Share Price and Turnover



Source: NASDAQ OMX

BEF SDB	30-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09	15-May-09
Closing Price (SEK/SDR)	18.1	17.0	17.6	17.7	28.1	28.3
Development since 31 Dec 2008 (%)	-	-6.1%	-2.8%	-2.2%	55.2%	56.4%
Development since IPO 27 Dec 2007 (%)	-63.8%	-66.0%	-64.8%	-64.6%	-43.8%	-43.4%

More historic share data and information, including current list of analysts following Black Earth Farming, can be found on the Company's website – [www.blackearthfarming.com](http://www.blackearthfarming.com).

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THREE MONTHS ENDED 31 MARCH 2009

*In thousands of*

	Notes	RUR 3m. 2009	RUR 3m. 2008	USD* 3m. 2009	USD* 3m. 2008
<b>Continuing operations</b>					
Revenue		466,161	217,414	13,705	6,392
Gain on revaluation of biological assets and agricultural produce		2,205	32,377	65	952
Total revenue and gains		468,366	249,791	13,770	7,344
Cost of sales		(350,198)	(161,610)	(10,296)	(4,751)
Gross profit		118,168	88,181	3,474	2,593
Distribution expenses		(66,631)	(2,964)	(1,959)	(87)
General and administrative expenses		(183,280)	(156,237)	(5,388)	(4,594)
Taxes other than on income		(5,143)	(235)	(151)	(7)
Other gains and losses		58	-	2	-
Other income and expenses		(36,929)	(17,368)	(1,086)	(511)
Operating loss		(173,757)	(88,623)	(5,108)	(2,606)
Financial income		327,831	264,380	9,637	7,773
Financial expenses		(90,180)	(75,544)	(2,651)	(2,221)
Profit before income tax		63,894	100,213	1,878	2,946
Income tax expense		(2,937)	(5,039)	(86)	(148)
<b>Profit for the period from continuing operations</b>		<b>60,957</b>	<b>95,174</b>	<b>1,792</b>	<b>2,798</b>
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	4	(59,126)	(1,711)	(1,738)	(50)
<b>Profit for the period</b>		<b>1,831</b>	<b>93,463</b>	<b>54</b>	<b>2,748</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,831</b>	<b>93,463</b>	<b>54</b>	<b>2,748</b>

*Earnings per share (amounts are indicated in)*

		RUR	RUR	USD*	USD*
From continuing and discontinued operations:	8				
Earnings per share, basic		0.01	0.76	0.00	0.02
Earnings per share, diluted		0.01	0.76	0.00	0.02
From continuing operations:	8				
Earnings per share, basic		0.49	0.77	0.01	0.02
Earnings per share, diluted		0.49	0.77	0.01	0.02

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 18 to 23.

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2009

<i>In thousands of</i>		RUR	RUR	USD*	USD*
	<b>Notes</b>	<b>31-Mar-09</b>	<b>31-Dec-08</b>	<b>31-Mar-09</b>	<b>31-Dec-08</b>
<b>ASSETS</b>					
<i>Non-current assets</i>					
Property, plant and equipment		4,516,054	4,407,639	132,773	129,585
Intangible assets		250,904	250,012	7,377	7,350
Loans issued		16,239	152,478	477	4,483
Other non-current assets		492,355	292,218	14,475	8,591
Deferred tax assets		64,882	70,888	1,908	2,084
<b>Total non-current assets</b>		<b>5,340,434</b>	<b>5,173,235</b>	<b>157,010</b>	<b>152,093</b>
<i>Current assets</i>					
Inventories		2,132,623	2,185,031	62,699	64,240
Trade and other receivables		547,287	580,321	16,090	17,062
Cash and cash equivalents		4,493,267	4,604,591	132,103	135,376
<b>Total current assets</b>		<b>7,173,177</b>	<b>7,369,943</b>	<b>210,892</b>	<b>216,678</b>
<b>Total assets</b>		<b>12,513,611</b>	<b>12,543,178</b>	<b>367,902</b>	<b>368,771</b>
<b>EQUITY AND LIABILITIES</b>					
<i>Equity</i>					
Share capital		32,898	32,898	967	967
Share premium		11,269,910	11,269,910	331,337	331,337
Reserves		126,400	94,107	3,716	2,767
Retained earnings		(1,340,527)	(1,342,358)	(39,412)	(39,466)
<b>Total equity</b>		<b>10,088,681</b>	<b>10,054,557</b>	<b>296,608</b>	<b>295,605</b>
<b>LIABILITIES</b>					
<i>Non-current liabilities</i>					
Non-current loans and borrowings	9	2,117,962	1,935,503	62,269	56,904
Deferred tax liabilities		36,152	48,133	1,063	1,415
<b>Total non-current liabilities</b>		<b>2,154,114</b>	<b>1,983,636</b>	<b>63,332</b>	<b>58,319</b>
<i>Current liabilities</i>					
Current loans and borrowings	9	134,331	344,206	3,949	10,120
Trade and other payables		136,485	160,779	4,013	4,727
<b>Total current liabilities</b>		<b>270,816</b>	<b>504,985</b>	<b>7,962</b>	<b>14,847</b>
<b>Total liabilities</b>		<b>2,424,930</b>	<b>2,488,621</b>	<b>71,294</b>	<b>73,166</b>
<b>Total equity and liabilities</b>		<b>12,513,611</b>	<b>12,543,178</b>	<b>367,902</b>	<b>368,771</b>

The condensed consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 18 to 23.

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2009

<i>In thousands of</i>	RUR	RUR	RUR	RUR	RUR
	Share capital	Share premium	Equity-settled employee benefits reserve	Retained earnings	Total
Balance as at 1 January 2008	31,680	10,366,308	6,674	(608,735)	9,795,927
Issue of shares	1,211	900,129	-	-	901,340
Profit for the period	-	-	-	93,463	93,463
<b>Balance as at 31 March 2008</b>	<b>32,891</b>	<b>11,266,437</b>	<b>6,674</b>	<b>(608,735)</b>	<b>10,697,267</b>
Balance as at 1 January 2009	32,898	11,269,910	94,107	(1,342,358)	10,054,557
Issue of shares	-	-	-	-	-
Profit for the period	-	-	-	1,831	1,831
Recognition of share-based payments	-	-	32,293	-	32,293
<b>Balance as at 31 March 2009</b>	<b>32,898</b>	<b>11,269,910</b>	<b>126,400</b>	<b>(1,340,527)</b>	<b>10,088,681</b>

<i>In thousand of</i>	USD*	USD*	USD*	USD*	USD*
	Share capital	Share premium	Equity-settled employee benefits reserve	Retained earnings	Total
Balance as at 1 January 2008	931	304,771	196	(17,897)	288,001
Issue of shares	35	26,464	-	-	26,499
Profit for the period	-	-	-	2,748	2,748
<b>Balance as at 31 March 2008</b>	<b>966</b>	<b>331,235</b>	<b>196</b>	<b>(15,149)</b>	<b>317,248</b>
Balance as at 1 January 2009	967	331,337	2,767	(39,466)	295,605
Issue of shares	-	-	-	-	-
Profit for the period	-	-	-	54	54
Recognition of share-based payments	-	-	949	-	949
<b>Balance as at 31 March 2009</b>	<b>967</b>	<b>331,337</b>	<b>3,716</b>	<b>(39,412)</b>	<b>296,608</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 18 to 23.

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2009

*In thousands of*

	Notes	RUR 3m. 2009	RUR 3m. 2008	USD* 3m. 2009	USD* 3m. 2008
<b>OPERATING ACTIVITIES</b>					
Profit / (loss) for the year		1,831	93,463	54	2,748
<i>Adjustments for:</i>					
Depreciation and amortisation		59,364	135,967	1,745	3,997
Foreign exchange (gain) / loss		(294,358)	(191,980)	(8,654)	(5,644)
Interest income		(33,473)	(72,393)	(984)	(2,128)
Interest expense		90,180	75,544	2,651	2,221
Loss on disposal of property, plant and equipment and intangible assets		(16,352)	593	(481)	17
Income tax expense		2,867	5,039	84	148
Warrant expense		32,293	22,170	949	652
Loss on disposal of subsidiaries		45,021	-	1,324	-
Change in value of biological assets		(2,205)	(32,377)	(65)	(952)
Operating loss before changes in working capital		(114,832)	36,026	(3,377)	1,059
Increase in inventories		74,756	(181,038)	2,198	(5,323)
Increase in trade and other receivables		22,112	(49,114)	650	(1,444)
Increase in trade payables and other short-term liabilities		(25,641)	(166,138)	(754)	(4,884)
Cash flows utilised by operating activities before income tax paid		(43,605)	(360,264)	(1,283)	(10,592)
Interest paid		(298,443)	-	(8,773)	-
Income tax paid		(482)	-	(14)	-
<b>Net cash from operating activities</b>		<b>(342,530)</b>	<b>(360,264)</b>	<b>(10,070)</b>	<b>(10,592)</b>
<b>INVESTING ACTIVITIES</b>					
Interest received		45,242	72,393	1,330	2,128
Acquisition of subsidiaries		-	(344,841)	-	(10,138)
Acquisition of land plots		(46,311)	(41,894)	(1,362)	(1,232)
Acquisition of property, plant and equipment		(155,683)	(836,139)	(4,576)	(24,583)
Acquisition of intangible assets		(837)	123	(25)	4
Proceeds from disposal of securities		-	358,308	-	10,534
Proceeds from the repayment of loans issued		136,239	-	4,005	-
Prepayments for property, plant and equipment and other non-current assets		(222,649)	(1,437)	(6,546)	(42)
<b>Cash flows utilized by investing activities</b>		<b>(243,999)</b>	<b>(793,487)</b>	<b>(7,174)</b>	<b>(23,329)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from the issue of shares		-	879,171	-	25,848
(Repurchase of bonds) / Proceeds from the issue of bonds	9	(18,782)	229,797	(552)	6,756
<b>Cash flows from financing activities</b>		<b>(18,782)</b>	<b>1,108,968</b>	<b>(552)</b>	<b>32,604</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(605,310)</b>	<b>(44,783)</b>	<b>(17,796)</b>	<b>(1,317)</b>
Cash and cash equivalents at beginning of year		4,604,591	7,373,985	135,376	216,796
Effect of exchange rate fluctuations on cash and cash equivalents		493,986	191,980	14,523	5,644
<b>Cash and cash equivalents at end of the period</b>		<b>4,493,267</b>	<b>7,521,182</b>	<b>132,103</b>	<b>221,123</b>

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 31 MARCH 2009

## 1 Background

### (a) Organisation and operations

Black Earth Farming Limited (the “Company”) is a limited liability company incorporated in Jersey, Channel Islands, on 20 April 2005. The Company is the holding company for a number of legal entities established under the legislation of Cyprus and the Russian Federation. Those entities are together referred to as the “Group”.

The Company’s registered office is 8 Church Street, St. Helier, Jersey, JE4 OSG, Channel Islands.

The Group is involved in the acquisition and subsequent management of agricultural companies in Russia. The Group’s activities include farming, production of crops and dairy produce and the distribution of related products in the Russian Federation. The Group commenced operations in 2005. The majority of the subsidiaries was established in 2006 and had limited activities.

### (b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

### (c) Seasonality

Agricultural sector exhibits obvious seasonal behavior. During the winter period, i.e. December to March, the organic growth of the crops is minimal. Due to this no major inputs are made in the production. All costs related to planting are capitalised in the Balance Sheet under “Biological assets”. During the first three months the Group sold the third part of its crop production harvested in 2008.

## 2 Basis of preparation

### (a) Statement of compliance

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRSs”) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

### (b) Functional and presentation currency

The currency of the Russian Federation is the Russian Rouble (“RUR”), which is the Group’s functional currency and the currency in which these consolidated financial statements are presented. The Group’s main activities are RUR denominated. All financial information presented in RUR has been rounded to the nearest thousand.

### (c) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information in United States dollars (“USD”) has been presented for the convenience of users of the consolidated financial statements.

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 March 2009 of RUR 34.0134 to USD 1. All financial information in USD has been rounded to the nearest thousand.

*\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).*

### 3 Significant accounting policies

The condensed financial statements have been prepared under historical cost convention, except that financial investments classified as available-for-sale are stated at fair value and biological assets measured at fair value less estimated point-of-sale costs.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards described below.

- *IFRS 8 Operating Segments*

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group reportable segments, but had no impact on the report results or financial position of the Group.

- *Amendment to IAS 1 Presentation of Financial Statements*

The revised Standard has had no impact on the report results or financial position of the Group.

### 4 Discontinued operations

In early 2006, as part of the land acquisition activities, the Group has also acquired small milk and dairy operations; namely OOO "Rus" which owned 2.6 thousand hectares of land. The total consideration paid by the Group totaled RUR 15,269 thousand (USD\* 449 thousand). The management intended to cultivate the land; however, further investigation revealed that the land is not suitable for grain cultivation; as a result, the Group sustained losses while attempting to turn this into a profitable meat and dairy farming business (in the course of two years OOO "Rus" has accumulated losses in the amount of RUR 38,172 thousand (USD\* 1,122 thousand).

The historical results from discontinued operations for 2007-2008 years are presented below:

<i>In thousands of</i>	RUR	RUR	USD*	USD*
	<b>12 m. 2008</b>	<b>12 m. 2007</b>	<b>12 m. 2008</b>	<b>12 m. 2007</b>
Revenue	9,871	3,900	290	115
Expenses	(28,263)	(11,146)	(832)	(329)
Loss before income tax	(18,392)	(7,246)	(542)	(214)
Income tax benefit	1,100	-	32	-
<b>Loss for the period from discontinued operations</b>	<b>(17,292)</b>	<b>(7,246)</b>	<b>(510)</b>	<b>(214)</b>

As at the end of 1Q, the Group's management had been actively seeking a buyer for this company.

(a) **Result for the period from discontinued operations**

The results of the discontinued operations included in the income statement are set out below. The historical loss from discontinued operations for the three months ended 31 March 2008 has been presented solely for comparative purposes.

<i>In thousands of</i>	RUR	RUR	USD*	USD*
	<b>3 m. 2009</b>	<b>3 m. 2008</b>	<b>3 m. 2009</b>	<b>3 m. 2008</b>
Revenue	1,132	920	33	27
Expenses	(14,836)	(2,631)	(437)	(77)
Impairment loss	(45,492)	-	(1,336)	-
Loss before income tax	(59,196)	(1,711)	(1,740)	(50)
Income tax benefit	70	-	2	-
<b>Loss for the period from discontinued operations</b>	<b>(59,126)</b>	<b>(1,711)</b>	<b>(1,738)</b>	<b>(50)</b>

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

Impairment loss reflects the complete write-off of net assets pertaining to OOO "Rus" and its parent company - ZAO "Kaluga Agro-invest". The net book value of assets and liabilities written-off is presented in the table below:

<i>In thousands of</i>	RUR	USD*
	31-Mar-09	31-Mar-09
Property, plant and equipment	14,838	436
Other non-current assets	10,639	313
Inventories	13,326	392
Trade and other receivables	15,753	463
Cash and cash equivalents	471	14
Trade and other payables	(9,535)	(281)
	<b>45,492</b>	<b>1,336</b>

## 5 Acquisition of subsidiaries

In 2008, the Group has obtained 100% ownership in five entities. A preliminary valuation of assets and liabilities was conducted on a provisional basis. During the reporting period, independent appraisers have concluded their formal valuation of these entities.

As a result of this valuation, the provisional value of identifiable net assets as at the date of acquisition decreased by RUR 185,419 thousand (USD\* 5,451 thousand). As a result, goodwill increased from the provisional accounting of RUR 58,534 thousand (USD\* 1,721 thousand) to the adjusted amount of RUR 238,164 thousand (USD\* 7,002 thousand). The previously reported balance sheet as at 31 December 2008 has been adjusted in order to properly to reflect the final values from the date of acquisition. The difference between the published and adjusted results is presented in the table below:

<i>In thousands of RUR</i>	Storozhevo ye Agro	Usmanskay a zemlya	Agrolipetzk	Agrotermin al	Don	Total
<b>Provisional accounting:</b>						
Property, plant and equipment	198,345	108,282	232,731	296,447	8,596	844,401
<b>Net assets at date of acquisition</b>	<b>199,570</b>	<b>99,856</b>	<b>64,510</b>	<b>47,355</b>	<b>(696)</b>	<b>410,595</b>
<b>Consideration paid</b>	<b>193,781</b>	<b>100,290</b>	<b>167,938</b>	<b>1,322</b>	<b>10</b>	<b>463,341</b>
Goodwill	-	434	54,061	3,333	706	58,534
Profit recognized in Income statement	5,789	-	-	-	-	5,789
<b>Adjusted results:</b>						
Property, plant and equipment	109,348	99,463	195,005	246,570	8,596	658,982
<b>Net assets at date of acquisition</b>	<b>110,573</b>	<b>91,037</b>	<b>26,784</b>	<b>(2,521)</b>	<b>(696)</b>	<b>225,177</b>
<b>Consideration paid</b>	<b>193,781</b>	<b>100,290</b>	<b>167,938</b>	<b>1,322</b>	<b>10</b>	<b>463,341</b>
Goodwill	83,208	9,253	141,154	3,843	706	238,164
Profit recognized in Income statement	-	-	-	-	-	-

<i>In thousands of USD</i>	Storozhevo ye Agro	Usmanska ya zemlya	Agrolipetzk	Agrotermin al	Don	Total
<b>Provisional accounting:</b>						
Property, plant and equipment	5,831	3,184	6,842	8,716	253	24,826
<b>Net assets at date of acquisition</b>	<b>5,867</b>	<b>2,936</b>	<b>1,897</b>	<b>1,392</b>	<b>(20)</b>	<b>12,072</b>
<b>Consideration paid</b>	<b>5,697</b>	<b>2,949</b>	<b>4,937</b>	<b>39</b>	<b>0</b>	<b>13,622</b>
Goodwill	-	13	1,589	98	21	1,721
Profit recognized in Income statement	170	-	-	-	-	170
<b>Adjusted results:</b>						
Property, plant and equipment	3,215	2,924	5,733	7,249	253	19,374
<b>Net assets at date of acquisition</b>	<b>3,251</b>	<b>2,677</b>	<b>787</b>	<b>(74)</b>	<b>(20)</b>	<b>6,620</b>
<b>Consideration paid</b>	<b>5,697</b>	<b>2,949</b>	<b>4,937</b>	<b>39</b>	<b>0</b>	<b>13,622</b>
Goodwill	2,446	272	4,150	113	21	7,002
Profit recognized in Income statement	-	-	-	-	-	-

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

The acquired companies comprise a contiguous modern agro-industrial enterprise located in the Lipetsk region. The consideration paid for this combination reflects management's prior experience by creating viable agro-industrial clusters thru synergies and economies of scale.

On 31 March 2009 the Group assessed the recoverable amount of goodwill, and determined that goodwill was not impaired. Goodwill has been allocated for impairment testing purposes to the Agroterminal and AgroLipetsk cash-generating units. AgroLipetsk cash-generating unit includes four companies – one operating company, AgroLipetzk, and three land holding companies Storozhevoye Agro, Usmanskaya zemlya and Usman'. Furthermore, the recoverable amount of the cash generating units have been calculated in accordance with the discounted cash flow methodology (applying 15% discount rate) and based upon prospective cash inflows for the next 7 years.

As a result of these calculations, management has concluded that any reasonable detrimental change in the key assumptions on which the recoverable amount has been calculated will not in effect exceed the aggregate recoverable amount of the cash-generating unit.

## 6 Segment information

The Group has not adopted IFRS 8 Operating Segments previously, so these financial statements include the first adoption of IFRS 8.

The operating segments definitions were developed by senior management in order to enable effective and efficient operating performance based of the geographic and sub-climactic split of the cropped areas in the four Black Earth regions; namely, Kursk, Lipetsk, Tambov and Voronezh. The Group also has one operating company in Samara region, however, for segment reporting purposes it was included in Tambov, as the company's result is not material as a single operating segment. The management company is located in Moscow. The parent company Black Earth Farming Ltd. is not included in any of the operating segments, as it does not generate any revenue, therefore its assets and expenses have been reflected in the Corporate segment of the assets and expenses.

The Group does not have reliable comparative data. The prior year segment reports included the result of the current year harvest (without last year stored goods and their sales), therefore the information is incommensurable, especially for the first quarter of 2008.

### (a) Segment revenues and results

<i>In thousands of</i>	RUR Revenue 3 m. 2009	RUR Net result 3 m. 2009	USD* Revenue 3 m. 2009	USD* Net result 3 m. 2009
Agricultural companies				
- Voronezh region	160,255	(17,244)	4,712	(507)
- Kursk region	126,304	(43,039)	3,713	(1,265)
- Lipetsk region	85,537	(25,417)	2,515	(747)
- Tambov region	18,438	(15,995)	542	(470)
Management company				
- Moscow	70,765	(126,179)	2,081	(3,710)
Revenues from sales of other goods and services	4,861	-	143	-
<b>Total</b>	<b>466,161</b>	<b>(227,875)</b>	<b>13,563</b>	<b>(6,699)</b>
Gain on revaluation of biological assets and agricultural produce		2,205		65
Cost of sales of intercompany transactions		41,024		1,206
Accrued distribution expenses		55,817		1,641
Central administrative costs and director's salaries		(44,948)		(1,321)
Bad debt provision		(6,484)		(191)
Other income and expenses		6,504		191
Finance income, net		237,651		6,987
Loss for the period from discontinued operations		(59,126)		(1,738)
<b>Profit before tax</b>		<b>4,768</b>		<b>141</b>

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

The accounting principles of the reportable segments are not exactly the same as the Group's accounting policies according to IFRS. The profit before tax for the reportable segments was reconciled to the reported profit before tax as the accounting policies of the segments differ in the following areas:

- There is no revaluation of biological assets and agricultural produce in segment reporting;
- Calculations of cost of sales of intercompany transactions differ – in segment reports the real cost of goods sold inside the Group is deducted; in contrast to IFRS where it depends on further movement of intercompany goods;
- Distribution expenses in the segment reporting record in the period when the goods related to such expenses are sold; in contrast distribution expenses according IFRS record in the period when they occur.

**(b) Segment assets**

<i>In thousands of</i>	RUR <b>31-Mar-09</b>	RUR <b>31-Dec-08</b>	USD* <b>31-Mar-09</b>	USD* <b>31-Dec-08</b>
Agricultural companies				
- Lipetsk region	2,533,259	2,059,775	74,478	60,558
- Voroneg region	2,028,026	1,984,530	59,624	58,346
- Kursk region	1,672,602	1,608,046	49,175	47,277
- Tambov region	1,231,823	1,123,386	36,216	33,028
Management company				
- Moscow	944,285	1,305,316	27,762	38,377
<b>Total segment assets</b>	<b>8,409,995</b>	<b>8,081,053</b>	<b>247,255</b>	<b>237,586</b>
Corporate assets	4,103,616	4,462,125	120,647	131,187
<b>Consolidated total assets</b>	<b>12,513,611</b>	<b>12,543,178</b>	<b>367,902</b>	<b>368,773</b>

**(c) Revenues from major products**

The Group's revenues from its major products were as follows:

<i>In thousands of</i>	RUR <b>3 m. 2009</b>	USD* <b>3 m. 2009</b>
Sunflowers	171,219	5,033
Wheat	153,327	4,508
Spring barley	109,055	3,206
Corn	20,044	589
Milk and meat	4,708	138
Waste grains	1,456	43
Spring rape seed	818	24
Other goods and services	5,534	163
	<b>466,161</b>	<b>13,705</b>

**(d) Geographical information**

The Group operates in the Russian Federation. The Group has a head office in Jersey; however the head office does not own any non-current assets and generates only financial income and expenses in addition to administration costs and directors' salaries. Therefore all non-current assets locate in Russia and all of the Group's operations are in Russia.

**7 Dividends**

The Company is not permitted to pay dividends until the bonds have been redeemed. Therefore, during the three months period no dividends were neither paid out nor declared.

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

## 8 Earnings per share

The amounts are indicated in

	RUR 3 m. 2009	RUR 3 m. 2008	USD* 3 m. 2009	USD* 3 m. 2008
<b>Profit/(loss) for the purpose of basic and diluted earnings per share</b>				
Profit / (loss) for the period from continuing and discontinued operations	1,831,000	93,463,000	53,832	2,747,829
Profit / (loss) for the period from continuing operations	60,957,000	95,174,000	1,792,147	2,798,133
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	124,521,667	122,816,667	124,521,667	122,816,667
Effect of dilutive share options	997,000	500,000	997,000	500,000
Weighted average number of shares for the purpose of diluted earnings per share	125,518,667	123,316,667	125,518,667	123,316,667
<b>Earnings per share from continuing and discontinued operations:</b>				
Basic	0.01	0.76	0.00	0.02
Diluted	0.01	0.76	0.00	0.02
<b>Earnings per share from continuing operations:</b>				
Basic	0.49	0.77	0.01	0.02
Diluted	0.49	0.77	0.01	0.02

## 9 Repurchase and repayment of debt and equity securities.

During first three months 2009, the Group has repurchased a total of 50 units of its bonds at a weighted average of 83% of its nominal value. The Group has spent a total of RUR 21,650 thousand (USD\* 636 thousand) which represented a total nominal value of RUR 18,782 thousand (USD\* 552 thousand) and accrued interest of RUR 2,868 thousand (USD\* 84 thousand). As a result of these transactions, the Group has realized a net gain of RUR 3,361 thousand (USD\* 99 thousand).

On 15 March 2009 the first Interest Payment Date occurred and the Group paid annual interest payment at the amount of RUR 295,575 thousand (USD\* 8,690 thousand).

As of 31 March 2009 the Group has in total repurchased 455 out of 5,500 bonds issued in 2007

## 10 Subsequent events

On 14 April 2009 the Group signed the contract for the sale of two its subsidiaries – ZAO “Agro-Invest Kaluga” and OOO “Rus”. ZAO “Agro-Invest Kaluga” was inoperative company in contrast to OOO “Rus” which main activity was unprofitable cattle-breeding activity. The price stated in the contract is RUR 10 thousand (USD\* 294).

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (c).

The board of directors and the managing director hereby confirm that the interim report gives a true and fair view of the group's operations, financial position and results of operations and describes significant risks and uncertainties the Company is exposed to.

Jersey, May 25, 2009

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Per Brilioth

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Sture Gustavsson

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Alex Gersh

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Henrik Persson

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Vladimir Averchev

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Paul Wojciechows

#### FINANCIAL CALENDER

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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION to the shareholders of Black Earth Farming Limited**

### **Introduction**

We have reviewed the accompanying consolidated statement of financial position of Black Earth Farming Limited as of March 31, 2009 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not give a true and fair view of the financial position of the entity as at March 31, 2009, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34.

### **Emphasis of Matter**

Our review was conducted for the purpose of forming a conclusion on the condensed consolidated interim financial information as a whole. The supplementary United States dollar amounts, which are presented solely for the convenience of users as described in note 2 (c), do not form part of the interim financial information and have not been subject to the procedures or conclusion described above.

Deloitte AB

*Svante Forsberg*

Stockholm

May 25, 2009

# Terms and Definitions

## Units

1 hectare (ha) = 2.47105 acres  
1 hectare (ha) = 10,000 square meters

1 metric ton = 2,204.622 pounds (lb)  
1 metric ton = 10 centners  
1 metric ton of wheat = 36.74 bushels of wheat  
1 metric ton of corn = 39.37 bushels of corn

## “AGRO-Invest Group”

The Company's subsidiary OOO Management Company AGRO-Invest and its subsidiaries, including OOO Management Company AGRO-Invest-Regions.

## “Black Earth”

A soil type which contains a very high percentage of organic matter in the form of humus, rich in phosphorus.

## “Black Earth Farming” or the “Company”

Black Earth Farming Limited, a company incorporated in Jersey, Channel Islands, under the 1991 Law with company registration number 89973, including its subsidiaries, unless otherwise is apparent by the surrounding context.

## “Black Earth Region”

A territory located in parts of Russia, Ukraine and Kazakhstan endowed with Black Earth.

## “Cadastre”

A Russian state register of real property including details of the area owned, the owners and the value of the land.

## “CIS”

Commonwealth of Independent States which consists of the former republics of the Soviet Union, excluding the Baltic States. The following countries are included Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan (associated member), Ukraine and Uzbekistan.

## “Crop year”

An crop year in Europe typically begins in late summer with the seeding of winter crops and ends approximately one and a half years later depending on when the crops is being harvested and sold.

## “Debt/Equity Ratio”

Total amount of long term borrowings divided by total shareholders equity.

## “Earnings Per Share”

Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued.

## “Equity/Assets Ratio”

Total shareholders equity divided by total assets.

## “EU-27”

The following EU membership countries: Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden the United Kingdom, Bulgaria and Romania.

## “Fallow land”

Land which is not being cultivated.

## “FOB”

Free On Board - an export pricing term where the seller covers all costs up to and including the loading of goods aboard a vessel, but not following freight/shipping costs.

## “Grains”

Generic name for wheat, barley, oats, rye, rye-wheat, durra millet, maize and rice

## “Grain elevator”

Building or complex of buildings for drying, cleaning, storage and shipment of grain.

## “Land in Ownership”

Land where the Company has obtained the, in the central Cadastre, registered rights of ownership to the land.

## “Land under control”

Refers to all land under the Company's control, including fully registered ownership, long term leased land and acquired cropping rights (Pais) in the process of being registered as ownership rights.

## “Oblast”

An administrative region of Russia.

## “Oilseeds”

A wide variety of seeds which are grown as a source of oils, e.g. cottonseed, sesame, rape seed, sunflower and soybean. After extraction of the oil the residue is a valuable source of protein, especially for animal feedstuffs.

## “OOO”

“Closed joint stock company”, the Russian equivalence to a limited liability company.

## “Operating Margin”

Operating income divided by net sales.

## “Pai”

A share in jointly-owned land received by a farm worker (in the Company's transactions often comprising approximately 2 to 17 hectares of undefined land).

## “Russian Export taxes”

There are currently no export taxes for wheat or barley. For Sunflowers and Oil seed rape there is a 20% export tax.

## “SDR”

The Swedish depository receipts issued representing the Shares according to the general terms and conditions for depository receipts in Black Earth Farming.

## “VPC”

VPC AB, the Swedish central securities depository and clearing house with address Regeringsgatan 65, Box 7822, SE-103 97, Stockholm, Sweden.

## “Öhman”

E. Öhman J:or Fondkommission AB, company registration number 556206-8956, Box 7415, SE-103 91, Stockholm, Sweden.